

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 97-596

March 23, 1998

BANGOR HYDRO-ELECTRIC COMPANY  
Investigation of Stranded Costs,  
Transmission and Distribution  
Utility Revenue Requirements, and  
Rate Design

NOTICE OF INVESTIGATION

WELCH, Chairman; NUGENT and HUNT, Commissioners

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## I. SCOPE OF INVESTIGATION

L.D. 1804, "An Act to Restructure the State's Electric Industry," requires the Commission to conduct an adjudicatory proceeding to determine stranded costs for each electric utility. 35-A M.R.S.A. § 3208(8). In addition, as part of the same proceeding, the Commission must establish the revenue requirements and stranded cost charges for each transmission and distribution utility at the time retail access begins on March 1, 2000. By way of this Notice, the Commission initiates a proceeding to investigate these matters for Bangor Hydro-Electric Company (BHE). As part of this proceeding, pursuant to 35-A M.R.S.A. § 3209, we will also investigate the rate design necessary and appropriate to recover transmission and distribution utility revenue requirements and stranded costs. As required by 35-A M.R.S.A. § 3209(2), this investigation will include setting T&D rates for backup and standby service.

## II. OPPORTUNITY TO INTERVENE

Any person who wishes to participate in this proceeding as a party must file a **petition to intervene** with the Commission's Administrative Director, Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, ME 04333-0018, by **April 10, 1998**. Copies of the petition should also be sent to Andrew Landry, Bangor Hydro-Electric Company, 33 State Street, P.O. Box 932, Bangor, ME 04401. Petitions to intervene must be in writing and state the name and docket number of this proceeding and how the petitioner is affected by the proceeding. The petition should also include a short and plain statement of the nature and extent of the participation sought, and a statement of the nature of the evidence or argument the proposed intervenor intends to submit. Shortly after the deadline for petitions to intervene, the Commission will send to each proposed intervenor a copy of the service list in this case. Objections

to petitions to intervene must be made in writing by **April 22, 1998**. Persons that do not want to be a party, but wish to monitor the proceeding may request to be placed on the Commission's interested person list by contacting the Commission's Administrative Director at the same address listed above.

### **III. PRELIMINARY SCHEDULING ISSUES**

On September 16, 1997, the Commission issued a comprehensive schedule to implement the provisions of L.D. 1804. In that preliminary schedule, the Commission indicated that it would be initiating the T&D revenue requirement, stranded cost and rate design case for Maine Public Service Company this March with a similar case for BHE to be initiated in July, 1998. In order to allow the Commission additional time to investigate issues involving possible transmission constraints into MPS's service territory and to assure that these proceedings can be completed in a timely fashion the Commission has decided to delay the initiation of MPS's case and initiate BHE's case at this time. The Commission anticipates that this matter will be concluded by April 1, 1999.

The Commission has identified four major components to the Company's case in this proceeding:

1. Stranded costs;
2. T&D revenue requirements;
3. T&D rate design; and
4. Stranded cost rate design.

The Act to Restructure the State's Electric Industry requires that the Commission provide the T&D utility with a reasonable opportunity to recover stranded costs. To the extent they otherwise qualify for recovery, stranded costs associated with a utility's generation assets will be calculated by taking the difference between the net plant investment of the asset and the market value of the asset, while stranded costs for a utility's purchased power contracts are based on the difference between the future contract payments and market value of the contract. 35-A M.R.S.A. § 3208(2). As part of its stranded cost filing, BHE should include its best estimate of the market value of its generation assets and contracts based on currently available market information. Such estimates should reflect the maximum market value of a facility or contract under a reasonable set of investment and operating scenarios. For example, in the case of an oil-fired generating station, the market might

identify a higher value for the same plant if the plant were converted to gas. The Company's stranded cost filing should also clearly identify the amount of stranded costs attributable to Maine Yankee, what steps have been or can be taken to mitigate these stranded costs, the estimated savings associated with such mitigation efforts, and the assumptions the Company has relied on in calculating decommissioning costs.

The Company's T&D revenue requirement filing should generally comply with the provisions of Chapter 120 of the Commission's Rules.<sup>1</sup> The filing should clearly identify how all assets and liabilities, overheads and other joint and common costs are being allocated among its core T&D business, other non-core ventures, and the Company's generation business. The Company should clearly identify how utility assets which have or may in the future be transferred to non-core ventures will be applied by BHE to decrease stranded costs or T&D revenue requirements. Also, BHE should completely describe and justify its post-divestiture capital structure.

In light of the statutory prohibition against imposing exit fees on customers, the Company's stranded cost rate design case should clearly identify whether and how the Company intends to recover stranded costs from consumers who significantly reduce or eliminate their consumption of electricity purchased from the T&D utility.

#### **IV. PRE-HEARING CONFERENCE**

A **pre-hearing conference** on this matter will be held on **April 25, 1998 at 10:00 a.m.** in the Commission's Hearing Room. The purpose of this conference is to discuss the schedule and processing of this case and to address any objections to petitions to intervene.

#### **V. NOTICE OF PROCEEDINGS**

The Administrative Director shall serve a copy of this notice on those persons included in the service lists in Docket Nos. 97-116 and 97-580. In addition, the Administrative Director shall place the attached notice in newspapers of general circulation in BHE's service territory.

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<sup>1</sup> The Company, however, need not file replacement schedules as required by Section 3 of Chapter 120.

Dated at Augusta, Maine this 23 day of March, 1998.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Hunt

COMMISSIONER ABSENT:            Nugent

This document has been designated for publication.

MAINE PUBLIC UTILITIES COMMISSION  
Review of Bangor Hydro-Electric Company's  
Stranded Costs, Revenue Requirements  
and Rate Design After Restructuring

Docket No. 97-596

The Legislature recently passed a law to restructure the electric industry. Beginning on March 1, 2000, all consumers will have the right to purchase generation services directly from competitive electricity providers. As part of the restructuring process, the Maine Public Utilities Commission (MPUC) is required to conduct an adjudicatory proceeding, in accordance with the Maine Administrative Procedure Act, to determine a utility's stranded costs (costs made unrecoverable by restructuring), the revenue requirements for the monopoly transmission and distribution company, and to design the rates necessary and appropriate to recover these charges. On March 23, 1998, the MPUC initiated a proceeding to investigate these matters for Bangor Hydro-Electric Company (BHE).

To present your views in this case, you may participate in one of two ways:

1. You may petition to intervene. If your petition to intervene is granted, you will be a party with the right to participate formally in the hearings and in negotiations. Your petition must be made in writing and must state the name and docket number of this proceeding, and the manner in which you are affected by the proceeding. Your petition must also include a short and plain statement of the nature and extent of the participation you seek, and a statement of the nature of the evidence or argument you intend to submit. Your petition must be received by the Administrative Director, Public Utilities Commission, 242 State Street, Augusta, Maine 04333, no later than April 10, 1998. You must send a copy of your petition to Andrew Landry, Bangor Hydro-Electric Company, 33 State Street, P.O. Box 932, Bangor, ME 04401. If your petition is denied, you may still request that your name be placed on the Commission's mailing list for this case as described below.

2. You may request that your name be added to the mailing list as an interested person. If your name is added to the mailing list as an interested person, you will receive notice of the time and place of any hearings, including public witness hearings, held in this case.

THE COMMISSION WILL NOT PUBLISH ANY FURTHER NEWSPAPER NOTICES OF THIS PROCEEDING OR ANY HEARINGS.

If you need more information about which method of participation you should choose, write to the Administrative Director at the above address or call (207) 287-3831.

Title 35-A of the Maine Revised Statutes and Commission Rules will govern this proceeding.